THE WEEK THAT JUST WAS

VOL. 1. NO. 2. (to November 8, 1998)

BB=Bilderberger CFR=Council on Foreign Relations RS=Rhodes Scholar TC=Trilateralist

GOVERNOR BUSH SHOWS MAJOR STRENGTH AMONG HISPANICS

While Minnesota elected Jesse "The Body" Ventura, former bad boy professional wrestler and a Ross Perot Reform Party candidate, as their new Governor, George Walker Bush (S&B 1968) captured 49% of the Texas Hispanic vote, according to exit polls after predicting he would pick up 40%, in his decisive total Republican top office takeover. The only remaining statewide Democrat is Texas Supreme Court Justice Gonzales who is retiring in December. Rick Perry, as Lt. Governor, will automatically become the third Republican Governor since Reconstruction if Bush runs and wins the Presidency in 2000. Democratic land Commissioner Gary Mauro lost to Bush by almost 40 points (1.4 million votes). A nameless Mauro aid, when Mauro was confidently predicting victory, said: "I feel like I'm on a flaming toboggan to hell." John Sharp got 70% of the Hispanic vote in his losing race against Perry (just over two points). The seven largest states in which Hispanics are a critical "swing vote" have 210 electoral votes -- 77% of the votes needed to take the White House. In Texas Hispanics in the year 2000 will be 27% of Texas\'92s voting age population.

NEWT LEAVES SPEAKERSHIP AND SEAT IN CONGRESS

Newton L. Gingrich (CFR), who said he would rather leave than "allow the party to cannibalize itself," may now be replaced with "a new face." House Ways and Means Committee Chairman Bill Archer (R-Texas) bowed out saying: "I may be the right man for the job, but the job just isn't right for me." The two big contenders now are Rep. Bob Livingston (R-Louisiana) and Christopher Cox (R-California). Livingston is serving his 11th term. He is Chairman of the Appropriations Committee and has been endorsed by House Whip Tom DeLay.(R-Texas). Cox heads the investigation into technology transfers to China.

There are now 223 Republicans, 211 Democrats and one independent in the House. House Republicans will meet for a secret ballot on November 18.

U.S. HAS BEEN LIVING ON IMPORTED CAPITAL FOR LAST TWO DECADES

John M. Berry's November 5th Washington Post Service column noted that the U.S. has been living beyond its means for the past twenty years. In the second quarter of 1998 money from abroad totaled $215 billion -- roughly equal to the U.S.

trade deficit. The value of foreign investment in the U.S. now far exceeds that of American investment abroad.

AMERICANS SAVINGS RATE LOWEST SINCE GREAT DEPRESSION

Several years ago an Austin TV report said that the average American was two pay checks away from the street. In September Americans spent $100.20 for every $100 in after-tax earnings as personal savings became negative for the 1st time in 65 years. In the post WWII period savings has been between 5-10% but slipped to below 4% in 1997.

More than 50 million U.S. households carry credit card debt. The average amount is now $7,000. Household credit card debt has doubled in last six years. 70% of credit card holders have an outstanding balance. In 1997 there were 1.35 million bankruptcies (8 times the rate in the Depression).

Last year consumers paid $65 billion in credit card interest. The average U.S. household pays more than $1,000 annually in non-deductible interest. The bankruptcy reform bill, which would have made it harder to discharge credit card debts, fizzled after President Clinton threatened a veto. Consumer outstanding credit grew at a 7.9% annual rate in September compared to 4.2% in August.

WALL STREET: MARKET RISES AS CORPORATE EARNINGS REACH RECORD LOW

The dollar by Friday was at its highest level against the German mark in 6 weeks. While unemployment is at a record low of 4.6%, job growth is down. In October the market expected 178,000 jobs but only 116,000 were created. In October manufacturing jobs declined by 52,000. 1998 may be the highest job cut year in the past decade. Third quarter earnings were the worst in seven years. Layoffs are up and the average stock is hurting but the market is now 350 points away from an all-time high. By March 1999 the DJIA may hit 10,000. With the $240 billion U.S. trade deficit and a projected $300 billion deficit next year, Vice-President Albert Gore, Jr. (CFR) told 128 American and European executives of the Transatlantic Business Dialogue Friday that the U.S. "cannot be the importer of only resort." President Clinton will take this message to the meeting of Asia-Pacific Economic Conference leaders this month. Meanwhile the Charleston, N.C. Two-day conference, according to Reuters, did reach an agreement "on an outline for a broader transatlantic economic partnership."

CLINTON CALLS FOR CLOSING OF U.S. GUN LAW LOOPHOLE

On Saturday President William Clinton (BB/CFR/RS/TC) directed what Reuters termed his "his government" to find a way to close a loophole that allows dealers to sell guns at gun shows with no questions asked. He said: "I believe this should be the law of the land. No background check, no gun, no exceptions." On

November 30th purchases of all firearms, not just handguns, will require Brady background checks.

TIME SERIES HITS ON CORPORATE WELFARE

Two years after reducing welfare for individuals, says Time, corporate welfare continues to expand. It is estimated at $125 billion a year. The cost is the equivalent of two weekly paychecks from every working man and woman in America. Over the past six years $5 billion has gone to the Export-Import Bank which subsidizes companies that sell goods abroad. The five companies that have benefitted the most are: AT&T, Bechtel, Boeing, General Electric and McDonnell Douglas (now a part of Boeing). These five companies, which accounted for 40% of all loans, grants and long-term guarantees in this decade have cut employment by 38% (cutting more than a third of a million jobs). There is now a pro-corporate welfare bureaucracy that consists of an estimated 11,000 organizations and agencies.

BARRONS SAYS JORDAN'S CBS DEPARTURE FOLLOWED BOARDROOM BATTLE

The November 2 issue of *Barrons* reported that chief executive Michael Jordan's departure from CBS followed an unsuccessful battle against cost-cutting Mel Karmazin (his No. 2 man and top CBS stockholder) who ended up on top of the Tiffany network. CBS stock went up 10% after news of Jordan's retirement. CBS is now #1 in overall ratings after it has appealed to males aged 18-24 and paid $4 billion to broadcast NFL football. Karmazin made his fortune on radio stations that carried shock-jock Howard Stern.

FORMER DICTATOR IS STILL "IMMUNE" SAYS BRITAIN'S SECOND HIGHEST COURT AS "LAW LORDS" WILL DECIDE HIS FINAL FATE NEXT WEEK

The ailing ex-ruler of Chile, Augusto Pinochet, was held to have "immunity for criminal acts committed in the course of exercising public functions." British prosecutors, who were ordered to pay Pinochet's legal expenses, have now appealed to the House of Lords. A British prosecutor told the five Law Lords on November 4thn that international law does not allow immunity. Alun Jones said that international conventions should be used (an International Criminal Court is now in the process of being created). Amnesty International and Human Rights Watch have both submitted briefs stating that immunity is outdated under international law. Isabel Allende, whose father was killed in Chile when Pinochet seized power in 1973, attended the hearing. The Spanish government is now requesting that Britain expedite Pinochet.

UN WAR CRIMES INSPECTORS DENIED ACCESS BY MILOSEVIC

Richard Holbrooke (BB/CFR/TC) said that Yugoslav President Slobodan Milosevic agreed to grant access to UN investigators after NATO averted air strikes on Serb targets. But now the Serb leader has barred Louis Arbour, chief prosecutor of the war crimes tribunal and Gabrielle Kirk McDonald from traveling to Kosovo. McDonald, a U.S. District Judge in Houston, Texas, who is also the President of the UN War Crimes Tribunal, called on the Security Council Thursday, from the Hague in the Netherlands, to force Yugoslavia to allow an investigation. She said: "Essentially (Yugoslavia) has become a rogue state, one that holds the international rule of law in contempt." Secretary of State Madeleine Albright (CFR) stated: "3Serb compliance with U.N. resolutions is not yet complete."

BUTLER SAYS THE SECURITY COUNCIL MAKES "BINDING" WORLD LAW

In response to Saddam Hussein's latest refusal to permit UN inspections, unilateral action by the U.S. seems doubtful as more responsibility is now being shifted to the UN. U.S. apparently has less support in the 15-nation Security Council. The two countries most likely to support Iraq are Russia and France (Iraq owes billions to Russia). Australian Richard Butler has said his inspection team will remain after disarmament is accomplished to make sure no new weapons are created. Saddam Hussein is being treated for cancer by European doctors. On NBC's "Today" Show Butler stated: "The (Security) council has made binding international law. Iraq has to be disarmed under that law" 174 U.S. war planes remain on the alert. The new UN resolution does not call for the use of force. The French seem to be the most insistent in favor of Saddam Hussein. King Fahd told Cohen that he would not permit U.S. attacks from his country such as was allowed during the Gulf War. After a 11-nation visit Defense Secretary William Cohen (CFR/TC) said time was short for compliance. The sanctions will remain until weapons inspectors certify that Iraq has gotten rid of all weapons of mass destruction. The Security Council has asked U.N. Secretary-General Kofi Annan to help resolve the standoff. A late morning Sunday Camp David meeting, which will consider whether to use force on Iraq, will include Albright, Cohen, Samuel R. "Sandy" Berger (CFR), National Security Adviser, and CIA Director George Tenet (CFR).

KING HUSSEIN BEING TREATED AT MAYO CLINIC

King Hussein (33rdM) of Jordan has had five of six chemotherapy sessions in Rochester, Minnesota. He has been at the medical center since late July for treatment of non-Hodgkins lymphoma.

U.S. LOST BID FOR SEAT ON U.N. BUDGET COMMITTEE

Although the U.S. has paid an additional $197 million of its regular 1998 dues, it still owes the U.N. $1.3 billion. On Friday the U.S. and Germany lost a contest for

seat on the budget committee to Britain and Italy. In 1996 the U.S. was ousted from the committee for the first time in 50 years. The U.S. is the largest UN contributor ($2 billion annually) but now has no representative on its budget committee.

RUSSIA DEBTS IN DOUBT AS U.S. SUPPLIES FOOD FOR FIRST TIME SINCE EARLY 1990'S

In the wake of a collapsing ruble, a budget deficit and a deteriorating economy, Russia announced on Tuesday that it would not pay its foreign debts next year. Loans from foreign lenders will be renegotiated. This years foreign loans are $3 billion and an additional $17 billion is due next year. For a while Yevgency Primakov had held out hope but now is unable to get the support of the IMF. A $625 million U.S. aid package is now being sent (3.1 million metric tons of food) as Russia deals with the worst grain harvest in 40 years. Food prices have risen about 50%. Grain production in Russia is down 45% from 1997. This is the first time that the Russians have needed significant food aid since the collapse of the Soviet Union in the early 1990's. Meanwhile U.S. farmers are suffering from the lowest prices in 52 years. Japan has now agreed to make a $800 million loan.

On August 17, 1998, Russia suspended trading in its high-interest paying short-term debt (GKO treasury bills and OFZ bonds). The "debt freeze" was accompanied by a devaluation of the rouble and a 90-day moratorium on Russian commercial bank repayments of foreign debt. The IMF is demanding that the Russian government reach an agreement with foreign holders of its domestic treasury bills. Several of the largest foreign creditors have agreed to accept new ruble-denominated paper as compensation for the treasury bills.

World Bank President James Wofensohn (BB/CFR) will visit Russia next Thursday. The World Bank, like the IMF, suspended loans to Russia.

If Russia doesn't receive any foreign aid, the government will print new money to cover its budget deficit. Economy supremo Yuri Malsyukov (First Deputy Prime Minister) predicted that 15 billion roubles ($1 billion) will be printed by the end of the year. He said the rouble won't drop any lower than 20 to the dollar (before the August crisis the rouble-dollar ratio was 6 to 1). The ratio now is 16:1. Reuters said that Deputy Finance Minister Mikhail Kasyanov told Russian RTR television in London on Friday: "Foreign creditors who came to work in roubles will stay in roubles." A fifth round of talks is due between November 16 and 21.

One victim of the Russian default was Strategic Partners run by "Dr. Doom" Henry Kaufman (CFR) -- Salomon Brother's former chief economist. He was quoted by *Barrons* on November 2nd: "This was credit without a guardian. There's the

illusion that it (Russia) has a market, that you can sell it and pass the risk on to someone else."

RUSSIA NEEDS INVESTORS TO PRODUCE OIL

Strobe Talbott (CFR/RS/TC), Deputy Secretary of State, said Friday that Russia needs outside investments of about $15 billion a year to return to Soviet-era oil production levels. He said that western companies would not make long-term investments unless Russia adopted a clear tax system, secured property rights and showed a willingness to take disputes to international arbitration. In his Stanford speech he also said that Prime Minister Yevgeny Primakov is operating without a realistic budget or a credible system for collecting taxes: "Economic decline carries with it the danger of political drift, turmoil and even crackup," he said.

YELTSIN WILL APPOINT LEGAL PANEL SOON

A legal panel will be named to review changes in the Russian Constitution -- including provision for a Vice-president -- a post stricken from the 1993 Constitution after his VP tried to lead a mutiny against him. On Friday Yeltsin denounced Russian communist leaders for recent anti-Semitic statements and verbal attacks on journalists. "Any attempt to insult ethnic feelings or limit the rights of citizens for ethnic reasons will be cut short in conformity with the Constitution," he said. Retired General Albert Makashov made the insensitive unreported comments during public rallies last month. Yeltsin returned to Moscow today and will meet with Japanese Prime Minister Keizo Obuchi between Wednesday and Friday of this week.

RUSSIANS COMPLETE FIRST PART OF INTERNATIONAL SPACE STATION

The first component of the new International Space Station will be launched by the Russian on November 20. The $40 billion station will involve the U.S., Japan, Russia, Canada and 12 European countries. NASA will launch its 1st module in December.

REWRITE OF TEXAS CONSTITUTION, WITHOUT A CONVENTION, IS GOING TO GO BEFORE NEXT TEXAS LEGISLATURE

While political tradition has always called a convention of elected delegates in Texas before adopting a whole new Constitution (except the last time in 1974 when the Texas legislature appointed itself to be a convention), State Senator Bill Ratliff and State Rep. Rob Junell have by themselves decided what the new constitution should say. In a front-page article in Friday's Austin American-Statesman, Ratliff was quoted at some length as favoring giving the Governor of Texas the power to appoint judges and officials now elected at the polls. Ratliff

said "we are constantly bumping up against arcane and restrictive things in the Constitution that don't really need to be there." Rep. Junell was quoted: "We need to get into the 21st century." Democratic- turned-Republican Chief Justice John Thomas Boyd of the Amarillo 7th Court of Appeals was quoted: "The average person has no more idea than a goose what makes a good judge or not." After the initial 1987 60 Minutes expose on the Texas Supreme Court, Republican reformers backed by business and medical contributions took over the Texas high court.

CITIGROUP SHUFFLE CLAIMS WEILL'S HEIR-APPARENT

In April two of the biggest names in insurance and banking (Travelers Group and Citicorp) announced the creation of Citigroup, with $700 billion of assets. Instantly, it became one of the largest financial services institutions in the world, with 100 million customers in 100 countries. Citigroup is led by Citicorp Chairman John S. Reed (BB/CFR) and Travelers Chairman and Chief Executive Officer Sanford I. Weill. This week Jamie Dimon, 42, Citigroup President and Chairman and Co-CEO of Salomon Smith Barney, left in a "mutual" decision after a $326 million third-quarter loss. Bond trading losses were $1.3 billion. Dimon ran the Salomon Smith Barney securities business with Deryck Maughan before its parent Travelers Grouped merged with Citicorp last month to form Citigroup.

On November 1 Citigroup, Inc. announced that it is integrating the activities of its Salomon Smith Barney unit and the corporate banking activities of Citibank to create the world's strongest combined global investment and corporate bank. Michael A. Carpenter and Victor J. Menezes will lead the combined entity reporting to John S. Reed and Sanford I. Weill. Deryck C. Maughan will become VC of Citigroup also reporting to Reed and Weill.\par }{\plain \par }{\plain In April Weill bristled at the idea that Travelers would need to divest anything. "We won't have to spin off anything to make this happen," Weill said. "We are applying to the Federal Reserve to be a bank holding company. We have no fewer than two years and no more than five years to keep activities that don't fit into this category." The Dimon resignation came after a pending bill to legalize creation of the presently illegal financial services super-corporation (Citigroup) was defeated despite a fund-raising breakfast that had been earlier co-hosted by Sandy Weill for Republican Senator Alfonse D'Amato (Chairman of the Senate Banking Committee). Meanwhile D'Amato lost his senate seat and will be replaced by Phil Graham as the chairman of the powerful Senate Banking Committee.

Dimon was Weill's right-hand man at Travelers Group and was considered heir-apparent to Citigroup co-Chief Executive Sandy Weill before his sudden resignation. Citigroup stock fell 2-3/16 points to 43-15/16 Tuesday. Schroders & Co. lowered Citigroup's rating from "outperform significantly" to "perform in line."

Warburg Dillon Read analyst Thomas Hanley also downgraded the shares on Monday after Dimon'2s resignation.

FORMER WEILL WALL STREET PARTNER WILL VISIT LONDON

Arthur Levitt, now Chairman of the Securities and Exchange Commission, will meet with overseas regulators in London next week to consider global disclosure standards for hedge fund lenders such as banks and brokerages.

FORBES ARTICLE CALLS FOR ONE WORLD CURRENCY

An interview with Steve Hanke in the November 16 issue of Forbes asks: "Who needs all those silly little currencies?" The article noted that as much as 70% of all U.S. currency and 40% of German marks are being held abroad by foreigners who don't trust their own money.

OTHER COUNTRIES WILL NOW GIVE IMF MORE MONEY

Now that Congress has passed the IMF funding bill, other countries will be expected to give an additional $67 billion to the IMF which will be charging higher interest and make shorter-term loans. There will be private sector as well as government to government loans. IMF loans to Korea, Thailand and Indonesia have now totaled over $100 billion.

TREASURY SLUSH FUND PART OF BRAZIL BAILOUT

The Exchange Stabilization Fund, set up in the 1930s to protect the U.S. dollar, can be tapped by the President and the U.S. Treasurer without action from Congress. The fund was used in Mexico in 1995 when $20 billion was given which has since been repaid with interest. It was also used in both S. Korea and Indonesia. Citigroup is now bullish on Latin America after the G-7 statement and promises by President Cardoso of Brazil to save $84 billion over the next three years. Brazil is the world's 9th largest economy and has been paying as high as 40% interest on short-term debt.

COMMUNISTS MAKING GAINS IN ITALY

A former communist, Walter Veltroni, 43, took over the top post of the Democrats of the Left in Italy replacing Massimo D'Alema who was sworn in last month as Italian Premier, the first former communist to hold the top government post in Rome.

NEW "ETHNIC BULLET" BIO WEAPON MAY BE USED ON ARABS BY ISRAEL

An unconfirmed report from South Africa claimed that Israeli scientists have made a biological weapon that can target the Arab genetic system. It is said to have

been originally developed in Apartheid South Africa for use against blacks. Israeli spokesmen would not confirm or deny the report.

ROCKETS RETORT TO ANTI-ISRAEL REMARKS

On Monday Israeli warplanes made their 8th raid on Lebanon and rocketed suspected positions of the pro-Iranian guerrilla group Hizbollah (Party of God).The raid followed comments by Sheikh Hassan Nasrallach who incited Palestinians to kill Israelis.

ARAB TERRORIST DISARMAMENT AND ARRESTS PROCEEDING SLOWLY

The Israeli cabinet has demanded that Arafat launch an "all-out war on terror." Dennis B. Ross, U.S. special envoy to the Middle East, stated the CIA will not make independent judgments on the PLO Authority's security compliance during the 12-week implementation period ahead. The information will be interpreted by Ross or his deputy (Aaron Miller). James P. Rubin (CFR) at the State Department said there are no plans to make the CIA's findings public.

Implementation of the Oct 23rd Wye Arafat-Netanyahu accord was postponed briefly pending cabinet and parliamentary review. Clinton urged going forward as "the only answer" to "criminal terror." Netanyahu refused to schedule a vote on the land-for-security accord until he received American assurances that the Palestinians would act on an Israeli arrest demand. Israel's Defense Minister, Yitzhak Mordechai, said Israel was "waiting for a list of 30 people the Palestinians promised to arrest." The accord calls for the arrest of 10 fugitives each month during the 12-week time period. The arrests will be made on the basis of political association and are the type of arrests that have been declared unconstitutional in the U.S. for fifty years. Israel will monitor each stage of the PA's battle against terrorists operating within the PA autonomous areas (the Hamas and Islamic Jihad groups) before implementing the Wye agreement. Hamas is well-known to Palestinians for its social welfare services which may be impacted.

The Palestinian National Authority's 40,000 police force will have to reduce its number by a quarter. Israel will make two further redeployment of its troops. The Palestinians will have full or partial control over 40% of the West Bank. Real control will increase from 3% to 4% of the West Bank. 750 of some 3,000 jailed Palestinians will be released from Israeli prisons.

Israeli Ambassador Zalman Shoval said approval of the Wye agreement is being delayed, in part because of terrorist attacks but also to make sure the Palestinians carry out the renunciation of calls for Israel's destruction in the PLO charter and confiscation of illegal weapons -- two items which senior Palestinian leaders have denied. Twenty-six provisions of the Palestinian National Covenant

will be repealed. The 1st step has been taken by the PLO Executive Committee to purge its 1964 charter of clauses antagonistic to Israel. This will occur at a full meeting of the Palestinian National Council in Gaza which President Clinton is scheduled to attend. The 300-member PLO Central Council will meet by the end of November. The Israeli cabinet said that it would not cede more West Bank land unless the 700-member PNC votes in a meeting in December. On October 26, Saeb Erekat, a Palestinian negotiator, said on Palestinian TV, that members of the council and PLO would gather "only to listen to President Bill Clinton."

Israeli remains America's number one world ally and receives about $4 billion annually in U.S. foreign aid. The new accord will result in still more U.S. aid (between $500 million to $1 billion) to offset Israel's post-Wye accord "security risk." Polls in early 1996 found that only 21% of Palestinians favored an armed struggle with Israel. In August 1998 that percentage rose to 44%. In October 1998 the percentage rose to 51%. The U.S. has pledged to provide military aid if intermediate-range missiles are deployed by any of Israel's neighbors.

"IN THE RED" IN CHINA--BAILOUT UNLIKELY

On November 1 the Associated Press revealed investor's concerns with China's 240 international trust and investments corporations (Itics). The Itics are being run mainly by politicians with funding from foreign bankers. The central bank of China recently ordered the closing of Guangdong International Trust and Investment Corp. (Gitic). It had accumulated some $2 billion worth of debt. While China has foreign reserves of more than $140 billion, it is not likely to do a bailout. Gitic circumvented the State Administration for Foreign Exchange (China's official channel for registering foreign loans) by borrowing money through subsidiaries (mostly in Hong Kong). So both the Itics and the lending banks are considered responsible for the risky loans. China, according to AP on November 2, is anticipating an 8% growth in 1998 but has ordered banks to lend more money as workers have been laid off from state-run factories

ABC DECIDES NOT TO AIR OLIVER STONE PROGRAM ON TWA FLIGHT 800

A prime-time special by Oliver Stone which was to examine whether a Navy missile was the cause of the 1996 crash, has been dropped by ABC after relatives and ABC's own news division became angry over the show.

SUTTON UPDATE

Gaylon Ross reports that Antony C. Sutton is 71 -- not 85 years old -- and that he won his fight with the IRS. They had to return the funds plus interest and write him a letter of apology.